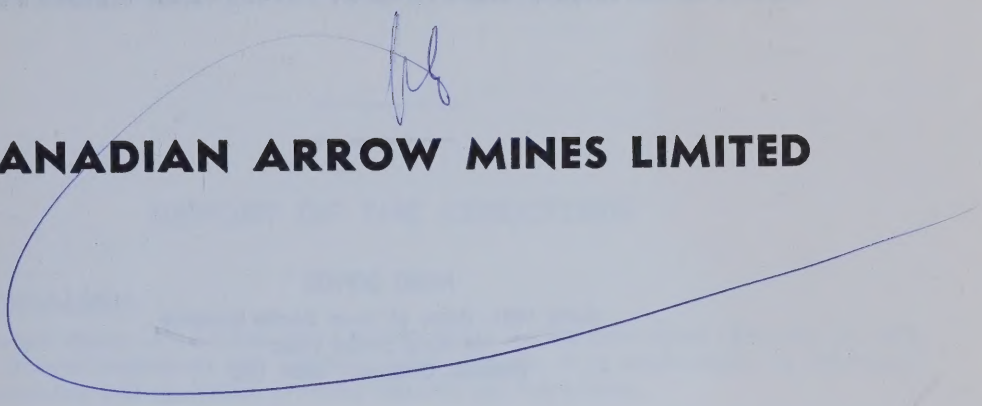


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CANADIAN ARROW MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1972

CANADIAN ARROW MINES LIMITED

HEAD OFFICE

Suite 1921, Bank of Nova Scotia Building
44 King Street West
Toronto, Ontario M5H 1E2

DIRECTORS

F. Blair	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
J. Geddes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Mississauga
E. G. Huggard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Windsor
E. R. Huggard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Arnprior
G. A. MacMillan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	R.R. No. 2, Tottenham

OFFICERS

G. A. MacMillan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	President
E. G. Huggard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Vice-President
F. Blair	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Secretary-Treasurer

TRANSFER AGENT AND REGISTRAR

Premier Trust Company
19 Richmond Street West
Toronto

AUDITORS

Thorne Gunn & Co.
Toronto

ANNUAL MEETING

11th Floor, Board of Trade Building
11 Adelaide Street West, Toronto
May 11, 1973 at 9:30 a.m. (Toronto Time)

CANADIAN ARROW MINES LIMITED

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

This Annual Report of Canadian Arrow Mines Limited for the year ended December 31, 1972, includes the financial statements with auditors' report thereon. It is accompanied by Information Circular in connection with the Notice of Annual Meeting and Proxy form.

HALLIDAY TOWNSHIP DISTRICT OF SUDBURY, ONTARIO

During the year 1972, an I.P. survey was made of a small area of the claims and followed up by some 1,000 feet of diamond drilling in seven shallow holes. Like the 3,000 feet of drilling in 1971, no material of ore grade was cut by this past year's drilling.

At the Company's request, Dr. J. W. Ambrose, Consulting Geologist, examined the property and the results of the work mentioned and reported in October. The following is extracted from his summary and recommendation.

"The North and South Showings . . . were explored in six diamond drill holes A.X. core, and an area indicated by I.P. anomaly was explored in a seventh drill hole. Total footage drilled was 1,074 feet. The surface showings carry considerable sphalerite, some gold, galena, and silver, and a little chalcopyrite, but no significant amounts of any of these minerals were cut in the drill holes.

"No further work is recommended on this property at this time".

Accordingly, the option on the claims was abandoned.

HISLOP TOWNSHIP, DISTRICT OF COCHRANE, ONTARIO

In view of the changes in the price of gold, the Company requested Dr. Ambrose to make a reassessment of the potential of this property. It will be recalled that from a three compartment shaft sunk to 425 feet two levels were established at 400 feet and 250 feet from which 2,300 feet of drifting and 4,600 feet of underground diamond drilling had been carried out. Following his reassessment of this work, Dr. Ambrose in his report late in 1972 gives the following "Ore" Calculation:

"Proven and probable reserves are calculated as 270,854 tons above the first level, grading .098 oz. gold per ton; between the first and second level, 135,345 tons, grading 0.100 per ton and for 75 feet below the second level 33,975 tons grading .103 oz. of gold per ton.

"The total tonnage in this category is thus 440,174 tons grading 0.099 oz. of gold per ton.

"Above the first level Blocks B and C have a combined length of 377.8 feet with an average width of 41.2 feet, grading .096 oz. gold per ton. This grade can be improved by reducing the width of the "B" block".

DOGPAW LAKE AREA, DISTRICT OF KENORA, ONTARIO

The Company has made no reassessment of this gold prospect, but has referred again to the report of the late G. L. Holbrooke dated March 24, 1961, which reads in part as follows:

"Thorough prospecting, trenching and 17,892 feet of diamond drilling and 114 holes have located and explored a number of gold bearing veins on the property and in three of them have indicated a considerable tonnage of probable ore.

"The drilling has explored No. 1 vein east to a vertical depth of 150 feet, No. 1 vein west to a depth of 600 feet and No. 2 vein to a depth of 175 feet. To these depths these veins are estimated to contain 96,650 tons of probable ore, grading 0.43 oz. per ton across an average true width of 5.3 feet.

"For the first 150 feet of depth the three veins carry 200 tons of ore per vertical foot or enough to support a 100 tons per day mining and milling operation.

"There is every reason to expect that the ore shoots in all three veins will have comparable vertical extent. If so, the indicated tonnage of probable ore to a depth of 600 feet will be approximately 120,000 tons.

"It is extremely doubtful if a 100 ton per day operation based on \$15.05 per ton gold ore could show any appreciable profit under present economic conditions. However, if enough new ore shoots of comparable grade can be developed to double the indicated mining and milling rate a profitable operation should result".

GOLD PROSPECTS

There have been marked changes in economic conditions since the date the Company last had work done on either of its gold prospects above mentioned: in the first place, the costs of mining and development in Canada have increased substantially: in the second place, there has been, during the last year, an encouraging rise in the price of gold; however, notwithstanding the rise from U.S. \$35 per oz., there have been wide fluctuations in the broadened market place. Consequently, your directors are reluctant to embark on any further program of development or production until there is some assurance of a firm high price for the product.

SANDON AREA, BRITISH COLUMBIA

The Company continues to retain through its holdings in Slocan-Rambler Mine (1947) Limited its silver-lead-zinc interests in British Columbia near Sandon, but that company has no plans for immediate resumption of activity.

OUTSIDE EXPLORATION

None of the new prospects submitted to the Company in 1972 seemed on consideration to warrant the expense of any detailed investigation.

Four claims were staked in Playfair Township, District of Cochrane adjacent to the Company's Hislop Township property.

Respectfully submitted,

On Behalf of the Board,

G. A. MacMILLAN,
President.

Toronto, Ontario,
March 19, 1973.

CANADIAN ARROW MINES LIMITED

AUDITORS' REPORT

To the Shareholders of
Canadian Arrow Mines Limited

We have examined the balance sheet of Canadian Arrow Mines Limited as at December 31, 1972 and the statements of exploration, development and administrative expenditures deferred, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 9, 1973

THORNE GUNN & CO.,
Chartered Accountants.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
Source of funds		
Interest and dividends received	\$ 8,829	\$ 11,348
Proceeds from sales of shares in other companies less cost of purchases ..	195	25,696
	<u>9,024</u>	<u>37,044</u>
Application of funds		
Exploration and administrative expenditures (net)	38,501	68,704
Deduct depreciation not involving current outlay	1,540	1,641
	<u>36,961</u>	<u>67,063</u>
Advances to other mining companies	1,000	2,580
Option payment on mining claims in Halliday Township, Ontario	—	5,000
Purchase of other fixed assets, net	—	2,222
	<u>37,961</u>	<u>76,865</u>
Decrease in working capital	28,937	39,821
Working capital at beginning of year	189,664	229,485
Working capital at end of year	<u>\$ 160,727</u>	<u>\$ 189,664</u>

CANADIAN ARR

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET

(with comparative figures for 1971)

ASSETS		1972	1971
CURRENT ASSETS			
Cash, including term deposits		\$ 156,814	\$ 185,314
Accounts and accrued interest receivable		3,913	4,350
		<u>160,727</u>	<u>189,664</u>
INTEREST IN OTHER COMPANIES			
Listed shares, at cost (quoted market value 1972, \$26,526; 1971, \$26,518)		97,697	104,313
Other shares and advances, at cost less amounts written off		39,780	33,084
		<u>137,477</u>	<u>137,397</u>
Less allowance for decline in value		110,000	80,000
		<u>27,477</u>	<u>57,397</u>
FIXED ASSETS			
Buildings and equipment, at cost		10,219	42,893
Less accumulated depreciation		5,787	36,921
		<u>4,432</u>	<u>5,972</u>
Mining claims			
Township of Hislop, Ontario acquired for \$5,583 cash and 480,242 shares valued at \$6,645		12,228	12,228
Dogpaw Lake Area, Ontario, at nominal value		1	1
		<u>16,661</u>	<u>18,201</u>
OTHER ASSETS AND DEFERRED CHARGES			
Option on 38 mining claims in Township of Halliday, Ontario		—	30,000
Exploration, development and administrative expenditures deferred (note 1)		511,076	547,830
Organization expense		4,710	4,710
		<u>515,786</u>	<u>582,540</u>
		<u>\$ 720,651</u>	<u>\$ 847,802</u>

NOTES TO FINANCIAL STATEMENTS
December 31, 1972

1. AMORTIZATION

Exploration, development and administrative expenditures amounting to \$511,076 along with the cost of mining claims by charges against income from future mining operations, are being amortized on a straight-line basis over the period of adequate financing and the development of an economic mining operation.

2. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Direct remuneration of directors and senior officers as defined by The Business Corporations Act.

W MINES LIMITED

(Incorporated under the laws of Ontario)

DECEMBER 31, 1972

(at December 31, 1971)

LIABILITIES

	1972	1971
CURRENT LIABILITIES	Nil	Nil
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 5,000,000 shares of \$1 each		
Issued — 3,557,287 shares	\$3,557,287	\$3,557,287
Less discount on shares	2,314,717	2,314,717
	<u>1,242,570</u>	<u>1,242,570</u>
Deduct deficit	521,919	394,768
	<u>720,651</u>	<u>847,802</u>

Approved by the Board,

GEORGE A. MacMILLAN, Director.

E. ROSS HUGGARD, Director.

\$ 720,651 \$ 847,802

STATEMENTS

, 1972

December 31, 1972 have been deferred with the intention that they should be amortized over several years. The recovery of these costs is dependent, therefore, upon the obtaining of

Income Tax Act amounted to \$12,301 in 1972 and \$12,655 in 1971.

CANADIAN ARROW MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED

Year Ended December 31, 1972
(with comparative figures for 1971)

Exploration	1972	1971
Halliday Township, Ontario		
Diamond drilling	\$ 5,723	\$ 29,039
Magnetic, electromagnetic and geochemical surveys	1,904	5,319
Surface exploration	6	2,039
Geologist expenses	2,204	420
	<u>9,837</u>	<u>36,817</u>
Less government exploration assistance	<u>3,493</u>	<u>—</u>
	<u>6,344</u>	<u>36,817</u>
Hislop Township, Ontario		
Taxes and insurance	591	556
Staking	220	—
Geologist expenses	2,150	—
	<u>2,961</u>	<u>556</u>
General exploration expenses		
Engineer's fees and expenses	6,500	7,000
Travelling expenses	1,315	576
Field office expenses	1,000	1,200
Depreciation of automobile	1,037	1,012
Other	598	965
	<u>10,450</u>	<u>10,753</u>
Total exploration expenditures	<u>19,755</u>	<u>48,126</u>
Administrative		
Office rent and occupancy expenses	9,240	9,216
Office salaries	5,376	5,355
Telephone and telegraph	1,049	1,487
Directors' fees	425	300
Meeting and report expenses	1,553	1,632
Stock exchange fees and expenses	200	200
Share issue and transfer expense	474	1,009
Legal and audit fees	1,660	1,995
Depreciation of office equipment	503	629
Business taxes	718	1,317
General expense	1,448	1,338
Charge to associated companies for office services	(3,900)	(3,900)
	<u>18,746</u>	<u>20,578</u>
Total expenditures	<u>38,501</u>	<u>68,704</u>
Deduct interest and dividends received	<u>8,829</u>	<u>11,348</u>
Excess of expenditures over interest and dividends received	<u>29,672</u>	<u>57,356</u>
Balance deferred at beginning of year	<u>547,830</u>	<u>507,604</u>
Carried forward	<u>577,502</u>	<u>564,960</u>

CANADIAN ARROW MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED (Continued)

Year Ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
Brought forward	\$ 577,502	\$ 564,960
Deduct exploration expenditures written off to deficit		
General exploration	10,450	10,753
Halliday Township, Ontario	55,976	—
Clarendon Township, Ontario	—	6,377
	<u>66,426</u>	<u>17,130</u>
Balance deferred at end of year	<u>\$ 511,076</u>	<u>\$ 547,830</u>
Summary of expenditures deferred		
Exploration and development of claims		
Hislop Township, Ontario	\$ 463,782	\$ 460,821
Halliday Township, Ontario	—	49,632
	<u>463,782</u>	<u>510,453</u>
Administrative expenses		
less interest and dividends received	47,294	37,377
	<u>\$ 511,076</u>	<u>\$ 547,830</u>

STATEMENT OF DEFICIT

Year Ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
Deficit at beginning of year	\$ 394,768	\$ 297,150
Exploration expenditures written off		
General exploration	10,450	10,753
Halliday Township, Ontario	55,976	—
Clarendon Township, Ontario	—	6,377
Cost of option on 38 mining claims in Township of Halliday, Ontario, allowed to lapse	30,000	—
Cost of mining claims in Township of Hislop, Ontario, written off	—	5,658
Allowance for decline in value of interest in other companies	30,000	80,000
	<u>521,194</u>	<u>399,938</u>
Profit (loss) on sale of shares	(725)	5,170
Deficit at end of year	<u>\$ 521,919</u>	<u>\$ 394,768</u>

CANADIAN ARROW MINES LIMITED

Annual Meeting of the Shareholders
May 11, 1973

INFORMATION CIRCULAR as at March 19, 1973

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Canadian Arrow Mines Limited ("the Company") of proxies to be used at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular personnel of the Company at nominal cost. The Company does not intend to pay any compensation for the solicitation of proxies. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are officers and directors of the Company. **A shareholder desiring to appoint some other person to attend and act for him and on his behalf at the meeting may do so** either by inserting such other person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Company not later than 48 hours before the time of the meeting. Proxies received less than 48 hours before the meeting will not be used at the meeting.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Company or the Chairman of the meeting, or (c) attending at the meeting and orally revoking such proxy.

Where a proxy or revocation is signed by a corporation, its corporate seal must be affixed.

EXERCISE OF DISCRETION BY PROXIES

The shares represented by the proxy will be voted on any item on which a ballot is taken and, where the person whose proxy is solicited specifies a choice with respect to any matter to be acted upon, the shares shall, subject to section 121 of The Business Corporations Act, be voted in accordance with the specification so made. **In the absence of such specification, such shares if voted will be voted in favour of:**

- (a) the approval of the 1972 Annual Report which includes the Report of the Directors, the Financial Statements for the period ended December 31, 1972 and the Auditors' Report;
- (b) the election as directors of the nominees designated below; and
- (c) the appointment as auditors of Thorne Gunn & Co. with authority to the directors to fix their remuneration.

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting, and any adjournment thereof. At the time of printing this Circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

At the date hereof there were outstanding 3,557,287 shares of the Company with a par value of \$1.00 each and each carrying the right to one vote. To the best knowledge of the directors and senior

officers of the Company, the following are the only persons or companies beneficially owning directly or indirectly shares carrying more than 10% of the voting rights attached to all issued shares of the Company:

<u>Name</u>	<u>Shares</u>
Airquests Limited	669,398
Kam-Kotia Mines Limited and its wholly-owned subsidiary, Deebank Limited ...	704,417
MacMillan Prospecting & Development Limited	505,647

Shareholders of record at the time of the meeting will be entitled to attend and vote at the meeting. The recorded addresses of Shareholders are indicated on the printed Proxy furnished with the Notice of Meeting. Shareholders are urged to see that the Company or the Transfer Agent, Premier Trust Company, 19 Richmond Street West, Toronto, have their current addresses.

ELECTION OF DIRECTORS

The board consists of five directors. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual Meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws.

The following table states the names of all the persons proposed by management to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations and number of shares of the Company beneficially owned directly or indirectly by each of them as of the date hereof:

<u>Name and Office Held</u>	<u>Principal Occupation during past five years</u>	<u>Shares</u>	<u>Became Director</u>
G. A. MacMillan (President)	Independent Prospector	349,599 direct*	1938
E. G. Huggard (Vice-President)	Retired; former Toolmaker	—	1968
F. Blair (Secretary/Treasurer)	Accountant	5,500**	1972
J. Geddes	Accountant	—	1956
E. Ross Huggard	Teacher	—	1968

*G. A. MacMillan also owns the majority of the issued shares of Airquests Limited and MacMillan Prospecting & Development Limited which, as mentioned above, own respectively 669,398 and 505,647 shares of the Company.

**Held in joint ownership with husband, Thomas Blair.

NOTE: The information with respect to directors and shares beneficially owned by them, not being within the knowledge of the Company, has been furnished by the respective directors individually.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration other than a nominal fee per meeting attended was paid or is payable by the Company to the directors of the Company as such for the fiscal year ended December 31, 1972. While a retainer of \$1,000 per month is authorized for the President, G. A. MacMillan, in 1972 the total amount paid and payable during the year to the directors and senior officers as a group was \$12,301 and it is expected that a similar amount will be paid during the current year.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Thorne Gunn & Co., Chartered Accountants, Toronto, as auditors of the Company to hold office until the next Annual Meeting of Shareholders. Thorne Gunn & Co. and their predecessors, have been the auditors of the Company for more than five years.

THE CANADIAN GOVERNMENT HAS A POLICY OF PROVIDING
FOR THE NEEDS OF THE PEOPLE OF CANADA

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